

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – APRIL 14, 2004

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Thomas Chagnon, Assistant Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouses.

EXCUSED: Chairman Anthony Maiola; Howard Roundy, Director of Information Technology.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 4/11/04 shows retail sales were up 12.3%, on-premise sales were up 8.6%, off-premise sales were up about 22.7%, and total aggregate sales were up 14.24%. The traffic count increased by 3,562, as did the average sales ticket by \$2.56.

The W-1 Total Weekly Sales report for the same week confirms total sales for the weekly comparison were up 14.24% or \$798,919, and that they were also up for the year by almost 8.4% or \$22,118,271. Wine sales increased by 20.5% or \$563,885 for the week, and increased by 8.4% or \$10,646,823 for the year. Sales of spirits were up by 8.22% or \$235,034, as they were year-to-date by almost 7.9% or \$11,471,648.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs over the past week.

Craig pointed out that the last line in the Gift Card Weekly Comparison Statement reflects an increase which includes the 2,000 cards involved in the Martignetti promotion. About 79.7% of gift cards sold, excluding the promotion, have been redeemed. The industry average is at about 6% - 10% never redeemed.

The e-licensing project has been finalized and should start moving forward within the next couple of weeks. However, some monies will have to be spent from Commission accounts, as it appears to be too late now to use the full \$153,000 from Venture funds.

Aidan and Craig will attend a meeting of the ED&A House Committee at 9:00 this morning, and will be prepared to answer any questions from committee members.

The ACR contract amendment is moving along. Craig feels it will come under a lot of scrutiny, but that a good argument can be presented relative to the rate on investment. Minor modifications have been made as requested by Administrative Services.

Craig has asked George and Tom Chagnon to put together a team and involve a participant from Paymentech to try to resolve the problem of double billing to some customer accounts. This has been caused in part by the Frad line and the inability of Paymentech to recognize duplicate transactions.

The W-6 Expense Budget Activity Variance Report for the week ending April 13, 2004 shows the year to be at about 78.9% expired, with total agency expenditures at around 76.61%. George said all requested transfers have taken place in the budget, and everything is right on line. He pointed out that figures for Class 22 Rents and Leases and Class 26 Organizational Dues were no cause for concern. He is, however, concerned about utilities and feels there will still probably be a slight shortage in the account. Construction and maintenance are also being monitored closely. Administrative Services has asked for a positive or negative identification of the salaries and benefits accounts. George feels that the Commission will come out with a positive total amount on these two accounts. Commissioner Byrne asked for a running total of monies lapsed which have been removed out of the budget to add to the end of year lapse.

The LBA auditors are working upstairs; everything appears to be going fairly well.

The contract regarding the underage drinking campaign is ready to be submitted to Governor and Council after a quick review and turnaround by the Attorney General's Office.

Bids for the store security system and septic system at Store #76 in Hampton will be reviewed this morning.

Evie Taft took tour of the facility at Liberty Mutual last Thursday, which she found to very educational regarding how claims are processed. She also attended interviews for store positions on Monday and Tuesday. Today she will start making several trips to the stores with Peter to discuss worker's compensation with store personnel.

2. IT Report

Tom reported that 630 gig of storage was installed yesterday which caused an outage in the afternoon. A technician will be back in today to load software into the servers. Users will be alerted when the system is to be rebooted.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending April 11, 2004 increased by 11.89% or \$487,263.01. The majority of this increase occurred in eight stores located in the southern part of the state.

There are five regional managers' meetings as well as a supervisors' meeting coming up in the near future. Commissioner Byrne asked to be e-mailed a copy of a schedule of these meetings.

Peter asked about the possibility of supporting those store employees who are currently serving in Iraq. Commissioner Byrne asked that an e-mail be sent out to all employees for the purpose of identifying Commission personnel who are serving or have relatives serving there.

Four candidates have been selected for area manager positions.

Negotiations with Hannaford continue on the Bedford store lease. In the meantime, the bill which supplies funding for the Bedford and Seabrook locations is still in the House.

The "Uncork the Cash" wine promotion has been very successful; Martignetti will honor all requests for gift cards.

2. Purchasing Report

John Bunnell reported that the number of out-of-stock items is low at this time.

Brian Law said that physical inventory at Law Warehouse went very well, with a count of 8,800 different items.

Commissioner Byrne said he has received some complaints that the ordering process through Law is very cumbersome. Brian said Law has addressed all speed issues from their standpoint, but that there are some licensees who are using older browsers. He will work with IT to identify those who are having problems.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Bols Vanilla Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./William Grant and Sons for a new test market listing for Bols Vanilla Brandy, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (1800 Silver Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Skyy Spirits for a new test market listing for 1800 Silver Tequila, 750ML size (assigned four-digit Code #8472), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Mount Gay Vanilla & Mango Rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Remy Amerique, Inc. for new test market listings for Mount Gay Vanilla Rum, 750ML size (assigned four-digit Code #4323) and Mount Gay Mango Rum, 750ML size (assigned four-digit Code #4324), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Skyy Melon Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Skyy Spirits for a new test market listing for Skyy Melon Vodka, 750ML size (assigned four-digit Code #3494), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (Pyrat Blanco Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Patron Spirits Company for a new test market listing

for Pyrat Blanco Rum, 750ML size (assigned four-digit Code #4383), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Sailor Jerry Spiced Navy Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./William Grant & Son for a new test market listing for Sailor Jerry Spiced Navy Rum, 750ML size (assigned four-digit Code #4218), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Request (Cruzan Rum Cream):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Todhunter Imports, Ltd. for a new test market listing for Cruzan Rum Cream, 750ML size (assigned four-digit Code #5305), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Test Market Request (Effen Vodka 80 Proof):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/J. Star Brands, LLC for a new test market listing for Effen 80 Proof Vodka, 750ML size (assigned four-digit Code #3521), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. Test Market Request (Captain Morgan Parrot Bay Mango & Pineapple Rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for new test market listings for Captain Morgan Parrot Bay Mango Rum (assigned four-digit Code #4397) and Captain Morgan Parrot Bay Pineapple Rum (assigned four-digit Code #4398), 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

j. Test Market Requests (Vermont Blue & Gold Vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Duncan Spirits for new test market listings for Vermont Blue Vodka and Vermont Gold Vodka, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

k. Test Market Results (7 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to the following three (3) spirit items which exceeded their respective gross profits required for specialty listing at the conclusion of a six-month test market period: Code #5402, Cask & Cream Caramel Temptation, 750ML; Code #2774, Signatory Caolila Single Malt, 750ML; and Code #2171, Wisers Canadian Whiskey, 750ML, and delist the following four (4) spirit items which failed to earn their respective gross profit required for both full distribution and specialty listing at the conclusion of a six-month test market period: Code #2775, Signatory Bladnoch Single Malt, 750ML; Code #3703, Danzka Vodka, 750ML; Code #3705, Danzka Citrus Vodka, 750ML; and Code #3707, Danzka Grapefruit Vodka, 750ML, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Revised May Special Offer (1 item – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a revised special offer from United Beverages, Inc., based upon depletions of one (1) spirit item, to be featured on sale during May 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) June Special Offers:

a. 52 items – Executive Wine & Spirits/Martignetti Co.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of

fifty-two (52) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 149 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred forty-nine (149) spirit items, to be featured on sale during June 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Summer Offers:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twelve (12) separate summer sweepstakes offers submitted by United Beverages, Inc. and Horizon Beverage Company to be conducted during the months of June, July and August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- B. WINES:

- 1) N.H. State Liquor Commission Wine Tasting:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine tasting to be held at the Friends of the Arts Regional Arts Council in Plymouth on February 3, 2005, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) New Wine Product Listings:

- a. Full Distribution – Code #31030:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code #31030, Zinfandel Rancho Zabaco Reserve, 750ML size, to be available for stores to order, as this product has earned a gross profit of at least \$6,500.00 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution – Code #37537:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code #37537, Penfolds Club Tawny Port, 750ML size, to be available for stores to order, as this product has earned a gross profit of at least \$6,500.00 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for June 2004:

a. 21 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of twenty-one (21) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of three (3) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 37 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of thirty-seven (37) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 40 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine

& Spirits, based upon depletions of forty (40) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 110 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred ten (110) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 45 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty-five (45) wine items, to be featured on sale during June 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Summer Programs 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that approve summer sweepstakes programs submitted by Martignetti Companies of N.H., United Beverages, Inc. and Horizon Beverage Company to be conducted during the months of June, July and August 2004, and deny an offer of a summer sweepstakes program submitted by Pine State Trading Company/E & J Gallo Winery, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Recommended Wine Specialty Products (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) “R” wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions (6 items – primary source; 16 items – exclusive agent; 8 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of six (6) wine codes which are from primary source, sixteen (16) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and eight (8) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 8 through April 14, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford